CHANAKYA
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Sebi examines Ant Group and Alibaba holdings in IPO-bound Paytm

Capital markets regulator Securities and Exchange Board of India (Sebi) is examining if Paytm shareholders Ant group and Alibaba—Hangzhou-headquartered Chinese conglomerates--are in compliance with listing regulations. Ahead of Paytm's public debut, Sebi is looking at whether the two investors must be treated as separate companies or a combined entity. This is part its due diligence process.

Ant Group, with around 30 per cent stake in Paytm, is the single largest shareholder in the fintech company headed for an initial public offer (IPO).

Ant and Alibaba together hold about 37 per cent in Paytm. Ant is an affiliate of the Alibaba group and are registered as separate companies.

To become a professionally managed company, no single entity can own more than 25 per cent in Paytm.

"Sebi (Issue of Capital and Disclosure Requirements) rules provide for companies without promoter, also called professionally managed company, where they do not need to designate a promoter. But each issuance has different dynamics. So in this case, Alibaba and Ant group, both are being looked at for compliance issues," said a regulatory source.

If the market regulator views the two as a combined entity, it may impose some caveats and give a definite time frame to offload their stake to 25 per cent from the current 37 per cent. Paytm has already said that Ant group would shed its stake by 5 per cent as part of the IPO to comply with Sebi's PMC norms.

The firm has also opted for declassification of Paytm founder and CEO Vijay Shekhar Sharma as a promoter.

In July, Paytm's parent firm One97 Communications had filed draft documents for an initial public offering (IPO) to raise Rs 16,600 crore, surpassing Coal India's Rs 15,000-crore IPO over a decade ago.

The regulator is also vetting how and where the control lies as Ant group will continue to hold a significant stake post listing.

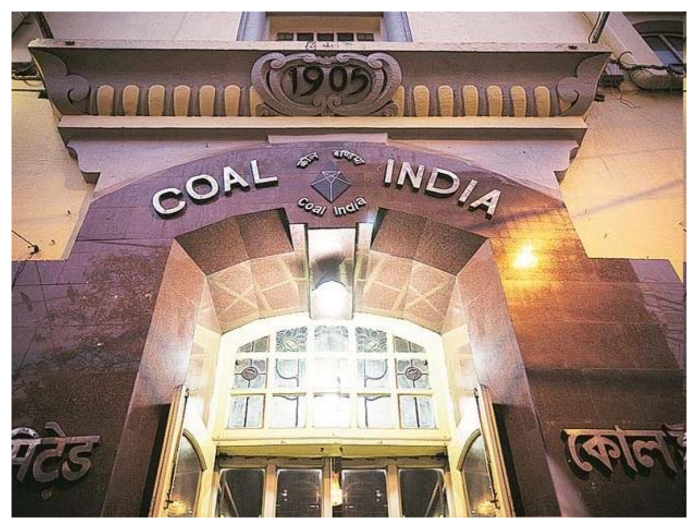
The regulator is also learnt to have sought clarity from the Reserve Bank of India (RBI) on the proposed listing in relation to foreign exchange regulations. This may be useful in case of fresh round of investments requiring government approvals.

Paytm is among the country's most valuable fintech firms with a market capitalization of $16 billion following a billion-dollar funding round led by T Rowe Price, Discovery Capital, and D1 Capital in November 2019.

In addition to these investors, the company's significant stakeholders include Ant Financial Netherlands, Alibaba Singapore, three Elevation Capital funds, SoftBank Vision Fund, and BH International Holdings.

Coal India net profit jumps 52% in June quarter; expenses rise, too

State-owned Coal India (CIL) on Tuesday reported a 52.4 per cent rise in consolidated net profit at Rs 3,169.85 crore for the quarter ended on June 30, 2021, on the back of higher revenue from operations. The company had posted a consolidated net profit of Rs 2,079.60 crore in the year-ago period, Coal India said in a filing to BSE.



The consolidated revenue from operations increased to Rs 25,282.15 crore in the April-June period over Rs 18,486.77 crore in the year-ago period, the filing said. However, the consolidated expenses of the company during the quarter increased to Rs 21,626.48 crore over Rs 16,470.64 crore in the year-ago period, the filing said.

The coal production of the PSU during the quarter ending June increased to 123.98 million tonnes over 121.04 MT in the quarter ended on June 30, 2020. The offtake of raw coal during the quarter ended June 30, 2021 went up to 160.44 MT over 120.80 MT in the year-ago quarter.

Coal India accounts for over 80 per cent of domestic coal output. State-owned CIL will pump in over Rs 1.22 trillion on projects related to coal evacuation, exploration and clean coal technologies by 2023-24 to achieve 1 billion tonnes of fuel output target.

Out of the proposed spend of over Rs 1.22 trillion, CIL has planned to invest Rs 32,696 crore on coal evacuation, Rs 25,117 crore on mine infrastructure and Rs 29,461 crore on project development by 2023-24. It will also invest Rs 32,199 crore on diversification and clean coal technologies, Rs 1,495 crore on social infrastructure and Rs 1,893 crore on exploration works.

Vodafone Idea files review petition in apex court on AGR dues

Debt-laden Vodafone Idea (Vi), which is struggling for survival, moved the Supreme Court on Tuesday, seeking a review of its July 23 order that dismissed the petitions of telecom firms for a re-computation of adjusted gross revenue (AGR) dues. Airtel, too, is likely to move the court for relief, sources said.

The appeal has been filed even as the telecom department is considering measures to provide financial relief for the sector. Vi did not respond to an email query on the matter. With an accumulated debt of about Rs 1.8 trillion, Vi is likely to be the most adversely hit by the Supreme Court verdict.

Vi had calculated its remaining AGR dues at around Rs 21,500 crore after making a payment of Rs 7,800 crore. However, the telecom department (DoT) arrived at around Rs 58,000 crore as the total AGR liability for the firm.

During the hearing, senior counsel Mukul Rohatgi, who appeared for Vi, had argued that the AGR figures were not cast in stone and that the Supreme Court had powers to correct the "arithmetic error".

The AGR calculation row surfaced after the Supreme Court on September 1, 2020, allowed telecom companies to pay their AGR dues to the government in instalments spread over a 10-year period, beginning with an upfront payment of 10 per cent of the total. The payment timeline started from April 1, 2021.

Last week, Kumar Mangalam Birla stepped down as non-executive chairman of Vi after offering to give up his stake in the telecom company. Himanshu Kapania, a telecom industry veteran and a nominee of Aditya Birla Group on the board, will take over the chairman's post.

In his letter written on June 7, Birla said he was willing to offer his stake to any government or domestic financial entity to keep Vi afloat.

Zomato Q1 net loss widens to Rs 356 crore; revenue rises to Rs 844 crore

In its first quarterly results after its listing last month, food delivery platform Zomato said its net loss widened in the first quarter (Q1) ended June 30 due to increased expenses and a hit on dining out as the second wave of the Covid-19 pandemic upended lives and livelihoods.

Zomato also crossed one billion overall orders on the platform last week.

The total loss attributable to equity shareholders rose to Rs 356 crore, from Rs 99.8 crore a year ago. Adjusted earnings before interest, tax, depreciation, and amortisation (Ebitda) loss widened nearly 42 per cent to Rs 170 crore on a quarterly basis.

Revenue from operations in Q1 rose to Rs 844.40 crore, from Rs 266 crore a year ago.

Chief Executive Officer and Co-Founder Deepinder Goyal and Chief Financial Officer Akshant Goyal in a blogpost filed to the BSE and on the company's website said the reported loss in Q1 was "largely on account of non-cash employee stock option plan (ESOP) expenses, which have increased meaningfully in Q1 of 2021-22 (FY22) due to significant ESOP grants made in the quarter pursuant to creation of a new ESOP 2021 scheme. This divergence in reported profit/loss and adjusted Ebitda will continue, going forward".

They said Zomato will do earnings/analyst calls once a year, at the end of each financial year, where the firm will share a more detailed commentary on the year gone by, along with key metrics.

They added that revenue growth was largely on the back of growth in Zomato's core food delivery business, which continued to grow despite the severe Covid wave that started in April. "On the other hand, Covid significantly impacted the dining-out business in Q1FY22, reversing most of the gains the industry made in the fourth quarter (Q4) of 2020-21 (FY21)," they said.

Further, Zomato crossed the milestone of delivering one billion orders on Zomato.

"It took us six years to get to this milestone and we hope it takes us much less time to deliver the next billion. The fact that over 10 per cent of these billion orders were delivered only in the last three months makes us confident about getting to the next billion much sooner," the senior executives said.

The gross order value (GOV), which the company defines as the total monetary value of all food delivery orders placed online on its platform in India, including taxes, customer delivery charges, gross of all discounts, excluding tips, also rose.

The India food delivery business of Zomato reported the highest-ever GOV, number of orders, transacting users, active restaurant partners, and active delivery partners, said Goyal.

India food delivery GOV in Q1FY22 grew 37 per cent quarter-on-quarter to Rs 4,540 crore ($605 million), from Rs 3,310 crore ($442 million) in Q4FY21. It was Rs 1,090 crore ($145 million) in the year-ago quarter. The company considered an exchange rate of $1 equalling Rs 75.In the blogpost, the two executives further said the firm has taken steps to improve the working conditions of its delivery partner network after an independent survey last year ranked Zomato at the bottom of a gig worker survey.

A Swiggy IPO could provide good returns, says SoftBank's Masayoshi Son

Zomato's stellar listing and a strong performance on the Indian bourses has given SoftBank's founder Masayoshi Son confidence that Swiggy will be able to deliver 'good returns' it its goes for listing.

"If they go public, I believe that we will be able to see good returns from here too. That's our expectation," said Son on Tuesday in post earnings call with analysts.

Last month, Swiggy closed a $1.25-billion fundraise, marking the first investment in the category by SoftBank Vision Fund 2. This took the valuation of the Bengaluru-based startup up by more than 50 per cent to $5.5 billion from $3.6 billion earlier, according to industry sources. SoftBank has invested around $360 million to $450 million in this round into Swiggy (JPY).

Other than comparing to Zomato, Son also referred to some of SoftBank's other investment in the footech segments like the US-listed DoorDash and Uber Eats. He compared the competition between DoorDash and Uber Eats to Zomato and Swiggy. "Swiggy and Zomato, these are the two competitors and they are taking about 50:50 market share and we have invested in Swiggy. They are one of the largest scale delivery platform in India with 20 million active users," said Son.

Son further stated that Swiggy has 120,000 partner restaurants and it has 1.5 million orders per day with 200,000 number of drivers. So they are again making a rapid increase or growth. Recently, not only the food delivery, but they are also delivering the other goods too. "Number of orders per day has increased by about 2.5 times in one year, revenue has increased by 2.8 times in one year," he added.

According to media reports, Swiggy's FY20 net loss jumped by 61 per cent to Rs 3,768 crore while its revenue grew by nearly 125 per cent to Rs 2,515 crore during the year.

Other than prospects of Swiggy's listing the Japanese investment firm is also hopeful of the listing of payments company Paytm and Policybazaar.

A Reuters story quoted Navneet Govil, CFO, Vision Fund on the upside they see in the listing of these two companies. "Further upside will come from listings by Indian payments firm Paytm and insurance aggregator Policybazaar as well as southeast Asian ridehailer Grab, which is due to go public via a blank-cheque company merger," said Govil to Reuters.

From the funds perspective Son also said that Artificial Intelligence (AI) is the next big bet and SoftBank has provided 10 per cent capital raised by unlisted AI companies worldwide. From the Vision Fund 2, it has invested in 91 companies with AI capabilities with a total acquisition cost of $19.5billion.

Vedanta to invest $20 bn across businesses, double silver and steel output

With a robust outlook for mineral-led growth in India, Anil Agarwal-led Vedanta Limited is looking to invest up to $20 billion across its businesses, which includes doubling of silver production and steel capacities.

In a virtual press conference had last month, Agarwal said the company planned a capex of $5 billion over a period of three years. The company has not given a timeline for $20-billion investment. "In aluminum, we are already India's largest producer. For silver, we aim to double our production, as it is not only a precious metal but also used in high-tech industry and renewable energy. In steel, we intend to double our capacity," Anil Agarwal, founder and chairman of Vedanta Resources Limited, said on Tuesday.

He was speaking at the 56th annual general meeting of Vedanta Limited. In the last ten years, the company contributed Rs 2.7 trillion to the exchequer, Agarwal said.

"Alongside, our acquisition of FACOR and its niche ferro-alloys business is yet another example of our diversification and future readiness," he added.

With regard to oil demand, Vedanta is looking to increase domestic production in oil and gas by up to 50 per cent to meet this demand.

The company reported highest-ever earnings before interest, taxes, depreciation and ammortisation (EBITDA) of Rs 27,341 crore, up 30 percent year-on-year.

Revenue of the company for FY2021 was at Rs 86,863 crore, up 4 percent year on year.

According to a International Finance Corporation (IFC) report, Vedanta's operations contribute 1 per cent to India's gross domestic product (GDP). Overall from the sector perspective, mining contributes 1.5 per cent to GDP while metals contribute an additional 2 per cent.

"The GDP contribution of mining and metals must double, possibly even treble. It is the only way to avoid import dependence of the kind we have seen in crude oil," said Agarwal.

Vedanta is also of the view that both technology and digitization are becoming the heart of each of its businesses.

The company has implemented industry first digital smelters at one of its plants in Jharsuguda, Odisha. Also, Hindustan Zinc has developed technologies to efficiently manage operations remotely. Of this, about $2 billion has been earmarked for oil and gas business and the balance for aluminium, copper, steel and zinc where about $500 million each (at least) would be used as capex.